

**MINUTES OF
CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE
City Hall - 8th Floor Conference Room
400 Stewart Avenue
Las Vegas, Nevada
City of Las Vegas Internet Address: <http://www.lasvegasnevadagov>**

**October 19, 2004
10:00 a.m.**

CALL TO ORDER: Chairman Kern called the meeting to order at 10:10 a.m. and announced that the Open Meeting Law had been met.

ATTENDANCE:

Present: Chairman Michael Kern
 Councilman Larry Brown
 Councilman Lawrence Weekly
 Member Paul Workman
 Brad Jerbic, City Attorney
 Radford Snelding, City Auditor
 Bill Cimo, Internal Auditor
 Steve Houchens, Deputy City Manager
 Beverly K. Bridges, Chief Deputy City Clerk
 Vicky Darling, Assistant Deputy City Clerk

Excused: Member Jose Troncoso

BUSINESS

1. Approval of the Final Minutes by reference of the Audit Oversight Committee Meetings of July 20, 2004 and August 17, 2004

WORKMAN - Motion to approve – WEEKLY seconded the motion - UNANIMOUS with TRONCOSO excused

(10:10 – 10:11)
1-8

2. Discussion and possible action on the appointment of a Vice-Chairperson to the Audit Oversight Committee

City Attorney Jerbic stated that his review revealed that the bylaws were prepared in draft prior to the Charter change that allowed for the Audit Committee. Those bylaws were never adopted by the Council. Even had they been adopted, they establish appointment of the Committee members by the Mayor, subject to ratification by the Council, but does not specify the manner in which the Chair and Vice Chair are appointed. He summarized the past practice that the first Chairman was appointed upon motion by Mayor Jones and Chairman Kern appointed to fill Chairman Martin's seat. He recommended the issue be referred back to the Council to clean up the bylaws to provide for an appointment process by the Mayor, subject to ratification, of

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the officers as well as the members. In addition, that Council agenda item could have the Committee's recommendation for the Vice Chairman. Chairman Kern confirmed with City Attorney Jerbic that there is no limitation as to who may serve as Vice Chairman, but the Committee's recommendation regarding any limitations or minimal qualifications should be incorporated into the bylaws.

City Attorney Jerbic advised that he would place the bylaws and appointment issues before the Council, given the discussion of the Committee.

(10:11/11:54 – 11:57)

1-22/2-402

3. Discussion and possible action on the Contract Compliance Audit – Durango Hills Golf Course

Chairman Kern stated that Item 3 was approval of a Contract Compliance Audit of Durango Hills Golf Course. The City Auditor requested that a contract compliance audit be performed of the Durango Hills Golf Course Contract. Permission was given to proceed and the Committee will consider the ratification of that action, after hearing the City Auditor's report.

Mr. Snelding explained that the City Auditor's Office will not work on large projects not on the Annual Audit Program or Audit Plan without first obtaining authorization from the Audit Committee. The exception is cash counts, investigations, control reviews or items requested by the City Council. Should an audit or project NOT scheduled require immediate action, the City Auditor may contact the Audit Committee Chairman and obtain permission to proceed, subject to ratification of the Committee at a regular meeting. That is the purpose of this item on the agenda.

Specifically related to the contract compliance audit at the Durango Hills Golf Course, Mr. Snelding offered that there have recently been two thefts at the Durango Hills Golf course and concerns related to the administration of the contract have arisen. Although assets are owned by the City of Las Vegas, and in this case the land is owned by the Bureau of Land Management, the golf course is operated by a contractor. Allegations have been received that contractor employees at the golf course are stealing. The City of Las Vegas is not only responsible for the land and facilities, but also for the operating expenses. One incident relates to a superintendent with the operating company and involved approximately \$1700 which was not reported under the city's fraud policy.

Controls related to the administration of the contract that could have identified these thefts are not being utilized. Based on this and other facts, it is believed a contract compliance audit in conjunction with the ongoing investigations is warranted.

Councilman Brown questioned whether management contractors are made aware of the City's policies. Mr. Snelding agreed that they should be and expressed his belief that they generally are so informed. In the case of Durango Hills Golf Course, the contractor is certainly aware of cash handling and asset handling policies. Mark

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Vincent, Director of Finance & Business Services, commented that compliance with City policies is not generally a provision of a contract. There is no provision regarding City business policies in the contracts for the cemetery, the Walters golf course or Angel Park golf course. When a contractor interfaces with the City regarding revenue and expenditures, the Treasury Division works with the contractor regarding City financial controls.

Councilman Brown asked about misappropriation by contractors and protection for the City. Mr. Vincent replied that the contract terms provide protection to the strongest extent possible and provide strong recourse. Mr. Snelding advised that this is the only City golf course contract where the City owns the revenue and expenses. The other two contracts are strictly operating contracts. Mr. Vincent added that the operational contract for the Durango Hills Recreational Center is a similar situation where the City is more involved in the flow of revenue and expenditures than normal. The other golf course operations are essentially land leases. Mr. Vincent and Deputy City Manager Houchens pointed out that the City does have a share in revenue with the other courses once a future date or amount is reached.

Councilman Brown verified with Mr. Vincent that the City retains the legal right to investigate allegations of wrongdoing at the other golf courses.

Councilman Weekly discussed with Mr. Vincent the land lease arrangement for the Municipal Golf Course and the requirement for reporting green fees and revenues. Mr. Houchens outlined the 10-year period the contract permits recouping of improvement costs before the City may share in a percentage of the gross revenue. The contract is approximately four years into that 10-year period. Mr. Vincent offered to provide the Committee a status report on the golf course contracts.

WORKMAN - Motion for the City Auditor's office to perform a contract compliance audit on the Durango Hills Golf Course – BROWN seconded the motion – UNANIMOUS with TRONCOSO excused

(10:11 – 10:21)

1-25

4. General Report by the City Auditor

Mr. Snelding advised that City-Wide Utilities audit being handled by Bryan Smith is currently in the planning stages, a Vendor File audit headed by Bill Cimo is also in the reporting stage, the Contract Compliance Audit at Durango Hills Golf Course under Philip Cheng is in the planning stages and the Metropolitan Police audit by Bryan Smith is on hold. There are two cash counts in the reporting stage. The audit at Dula Gym is being handled by Bryan Smith and Bonnie Mocek. The audit at Chuck Minker has been handled by Bryan Smith and Philip Cheng. Additionally, there are eight investigations in process and three control reviews in the reporting stage being lead by Gary Philips.

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Chairman Kern confirmed with Mr. Snelding and Mr. Cimo that the Vendor Files were not third-party contracts. It is a comparison for matches between employees who had worked as vendors for the City, providing other services in the past, along with any issues relating thereto.

Chairman Kern asked whether profit margin was calculated for the contracts awarded and negotiations regarding the profit margins. He would suggest the City Auditor include that into the evaluation process and during the negotiation cycle. Also at issue would be the actual profit margin based on change orders. Deputy City Manager Houchens explained that the golf contracts were very individualized and while profit margin is looked at, a standardized return rate has not been established. Mr. Snelding added that there were projected revenues and expenditures involved specifically with the Durango Hills contract and a comparison is being made between actual revenue/expenditures versus those projected during the compliance audit. Because this is a City facility, there is also a budget to be reviewed.

Chairman Kern suggested that there may be a better forum to address his concerns with awarding public contracts, some of which involve very large profit margins, at a time when the City needs to control costs. He would like to see a happy medium between continuing to obtain quality contractors while serving the best interests of the City. Mr. Vincent outlined the City's efforts to transfer risk to operators versus the BLM's requirement that the City retain all risk involved with this facility. This is a fixed-fee contract for operating services. This type of arrangement involves significantly more contract management by the City. The terms of the contract are driven by the circumstances and the City offers a fair return to a contractor for assuming more of the risk.

Councilman Weekly discussed with Mr. Snelding that seven investigations being lead by the City Marshals involve cash handling under the fraud policy and the remaining investigation is for taking services not paid for. In most instances, the cash was skimmed off or taken after receipt but before deposit. The facilities involved are recreational centers, two safe-key sites and the safe-key administration. Councilman Weekly talked about whether information regarding City policies has been distributed with Mr. Snelding. Mr. Snelding noted that immediately after the audit a control review with suggestions for improvement is distributed to the Department. Where a problem in one situation carries over to other situation, suggestions are made to address those as well.

Member Workman questioned the hold on the Metro audit. Mr. Snelding indicated that during the initial stages of putting together information, the City contacted the County who wished to make it a joint audit. It was suggested that the use of a third party would eliminate the appearance that the audit was to restructure the billing distribution. While the City and County were working together, Metro initiated its own audit. It was determined to wait until that internal audit is completed, when the joint third-party audit will be performed.

(10:21 – 10:32)

1-331

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5. Discussion and possible action on a Report on Follow-up Activities

Mr. Snelding outlined the program of continuous follow-up that has been instituted. All new recommendations are identified and tracked based on the date stated for completion by the auditee. If a date is not stated, as in cases where formal responses are not requested, a date is assigned by the City Auditor's Office. Additionally, recommendations from previous reports are due based on the date stated for completion by the auditee. The report today covers reports completed in FY 2003-2004 with effective dates of September 30, 2004. Open recommendations prior to last year are not included because the most recent follow-up was completed just prior to that period. All open recommendations will be reported at the next meeting. This report involves 39 recommendations made for last fiscal year; 54% of which are complete, 36% have been partially completed or incomplete action taken with the deficiency not yet corrected, and 10% are under review by the City Attorney's office with policy and procedure implementation anticipated afterward. A portion of the pending issues with the Office of Business Development has had completion dates established. One item relates to controls cited in a previous report and three have not been assigned to a City Auditor due to scheduling problems.

Member Workman discussed with Mr. Snelding that the pending four may have already been completed but staff will need to check on that.

(10:32 – 10:35)

1-692

6. Discussion and possible action on the Follow up on Lock up Variance Report to Departments from 2001-2002 Annual Audit Recommendation Follow-up CAO 2600-0203-07

Mr. Snelding summarized the 2001/2002 annual audit follow up which resulted in a follow up review. Mr. Marcella at that time suggested that the City would utilize software adjusted to fix the City's needs to address the situation raised.

Joe Marcella, Director of Information Technology, explained that the difficulties experienced with implementation of the software was identified. That software application purchased gathers the information, but it was discovered that companion software is required for intrusion detection in order to report in the manner requested. Until that software is installed, staff can only respond to certain voluminous requests. However, the City will still be protected and issues identified when necessary. It will just involve more work. He estimated eight to twelve additional months to complete implementation.

Chairman Kern indicated his reliance on Mr. Marcella and his technological expertise with regard to the timeframe. The committee members have experienced software sold to pierce firewalls and he questioned the steps taken to protect the City. Mr. Marcella replied that the City has several levels of protection software. Some of that software protects and tracks spam. It can also be controlled at the client level. The City receives 25,000 to 30,000 spam intrusions each day. The City has firewall protection and spy ware software that identifies cookies and other information.

Chairman Kern noted employees using other people's passwords to access critical data. Mr. Marcella agreed that this would mean that the system had been penetrated. The system does lock up, this creating a pattern involving a password that staff would investigate. Chairman Kern noted that elected officials and certain departments, such as Human Resources, may have data with higher levels of confidentiality and asked how that is protected. Mr. Marcella, Mr. Cimo, Lonnie Richardson and Joe Santilli detailed other methods to access sensitive data, including taking the hard drive and anonymous e-mails as well as the progressive security measures such as utilities that check desktops and give the City greater control. There was discussion regarding the preventive and investigative benefits of greater security and intrusion detection software. Efforts to harden passwords has reduced the ability to crack passwords from 80 down to 15%.

Mr. Marcella described the common and specialized software used to protect the City. To date, the City has not been compromised to any great degree. Mr. Santilli added that City policy prohibits any individual from loading desktop software without IT approval, spy ware catches unauthorized material, multiple access requirements and the system quarantines attachments. This multiple-faceted security is a layered, multi-level approach. Mr. Richardson pointed out the protection for the City outweighs the inconvenience to the individual.

Chairman Kern voiced serious concerns based on his experience and awareness of other entities where sensitive data has been accessed. The City does a great job, but must continue to be vigilant to prevent substantial losses experienced by other entities. The longer it takes to implement security, the greater the opportunity for hackers. Mr. Marcella described an outside consultant who was hired two years ago to make an attempt to compromise the City's network. They were unable to externally do so. Most intrusions are done by insiders and is still difficult. The consultant's final determination was very positive. Even so, sensitive materials are under the general security umbrella and then a second layer of added protection for sensitive profiles. The City's most sensitive data is in the Oracle application where perfect identification is required. While the application may have been compromised, the data under the secondary protection has not. Mr. Marcella noted that his staff will aim for a 10 month implementation rather than the 12-month estimate.

WORKMAN – Motion to accept the report – WEEKLY seconded the motion – UNANIMOUS with TRONCOSO excused

(10:35 – 10:55)

1-802

7. Discussion and possible action on Limiting Access from 2001-2002 Annual Audit Recommendation Follow-up CAO 2600-0203-07

During the review of the 2001-2002, Councilman Brown considered this item to be substantially complete but requested additional information regarding scheduling and use from the City Manager. At the last meeting Mr. Marcella stated that Active

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Directory was being utilized and would be appropriately tested to see if it would effectively address the concern.

Mr. Marcella noted that the Active Directory will do everything the City asks of it, but only within a purified environment. The City is moving older software out of an older environment, including the cashiering system, some security access, some jail and planning applications, p-card and senior law currently running in NT. Until those applications are relocated, the City cannot move off of a global directory. Every one of those applications will be relocated within 12 to 18 months, at which time Active Directory will function as desired. No alternative to Active Directory has been identified and all the necessary software has been purchased and/or is in the process of being installed. Although the system will gradually improve, full implementation cannot occur until the applications are fully transferred.

Councilman Brown indicated his comfort with periodic updates of the status while the City moves forward. Chairman Kern confirmed with Mr. Marcella that during the phase out, the system is being run simultaneously with equal security. Mr. Marcella stated that the alternatives for each application identified is in the process of being rewritten or new software located. Mr. Santilli explained that the City is following this method at the recommendation of Microsoft. Mr. Snelding committed to report back to the Committee.

BROWN - Motion to accept the report – WEEKLY seconded the motion – UNANIMOUS with TRONCOSO excused

(10:55 – 10:59)

1-1500

8. Discussion and possible action on Statistics of Professional Services Contracts from 2002-2003 Annual Audit Recommendation Follow-up CAO 2600-0304-05

Mr. Snelding advised that during the 2002-2003 Annual Audit Recommendation Follow-up CAO 2600-0304-05 staff identified and discussed in detail five “hot button issues”. One issue was policies and procedures for professional services contracts. During that discussion Councilman Brown and Councilman Weekly requested for both architectural contracts as well as construction contracts that awards be broken down by providers for report to the Committee and Committee discussion of the process.

Mr. Vincent presented a report regarding Professional Services Agreement (PSAs) from the beginning of fiscal year 2004, sorted by supplier, vendor or service provider. The contracts total approximately \$67,000,000. The second report involved construction contracts as awarded to the lowest responsive, responsible bidder, which total approximately \$170,000,000 over the last 15 months. He mentioned that the PSA report does not include those architectural and engineering contracts handled by Public Works, where Purchasing and Contracts has very limited involvement. Mr. Vincent clarified that the order value column represents the award amount, some of which are not to exceed values and multiple year contracts. For example, the Durango Hills Golf Course contract is currently under \$2,000,000, well under the total not to exceed value.

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Councilman Brown questioned whether a set industry standard had been developed for a PSA profit margin. Mr. Vincent responded that it would vary based on the type of service. Some contracts are fixed fee. Staff looks for a deliverable product versus a pure time and material contract. In the case of time and material contracts, the City is very aware of rate and rate structures. His Department drafted a policy which is still pending review but involves a much more active role in PSAs for Purchasing and Contracts. Even without adoption of that policy, his staff reviews pricing, terms and conditions when they are involved. In some instances terms can be more damaging than a high profit margin. Because of the uniqueness of services, it is impossible to set an industry standard. The City has received many concessions and reductions in various contracts using the expertise of Purchasing and Contracts.

Councilman Brown discussed with Mr. Vincent and Kathy Rainey, Purchasing and Contracts Manager, whether profit margin information is proprietary. Mr. Vincent noted that certain professional contracts must be awarded based on qualifications and then the price is negotiated afterward pursuant to the law. If a satisfactory price cannot be negotiated, the City can then select the next qualified professional.

Councilman Brown indicated that there is a sense that the City sets the bar via an engineering estimate and perhaps the City should set a fair price that bidders could accept or walk away. The current method may push the market up. Mr. Vincent concurred with regard to construct estimates and the built-in contingency accounts. The City is investigating setting up a separate reserve to address bid overages rather than incorporating contingency funding for each project. Staff will be presenting the idea to the Council at the Special City Council meeting on November 1, 2004.

Mr. Vincent suggested that there are occasions when it might be better to wait on a project in order for aspects of the market to settle down. It would be his feeling that the City pays a premium for its aggressiveness with various projects. Ms. Rainey added the steps her division takes in an attempt to establish a basic profit margin for those contracts they are involved with. It is very difficult, but staff tries to keep the margin in the 10 to 15% based on estimates of overhead and costs. There are times when a contractor will actually volunteer the information. Staff is nearly 100% successful in negotiating contracts reduced from the initial proposal.

Ms. Rainey outlined the challenges with increases in material costs. Deadlines are also included into contracts and require liquidated damages when a contractor misses a deadline. Unfortunately, that usually results in an increase in costs as well. Councilman Brown pled guilty on pushing projects. Given the total amount of contracts, even 1% reduction would represent a substantial amount of money. He supported the direction being taken by the City. Mr. Vincent discreetly referenced a fixed-price contract where staff accessed payroll records reflecting labor costs of a third that reported. Staff learns from these mistakes and tries not to repeat them.

Chairman Kern encouraged the City Auditor's office to have greater input into contract negotiations. He summarized his experience with another entity where the profit margin built substantially. He would suggest that Departments bring in the City

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Auditor's office earlier in the process and establish a scope or perimeter for statistical review. Mr. Snelding supported such a concept.

Councilman Brown commented on his appreciation for the reports and access to the information that gives a sense of how equity can be built in partnership with the private sector. The information allows the City to defend its fairness.

Chairman Kern asked if the outside auditor is using the internal audit reports to identify which issues have already had closure. Mr. Vincent assured the Committee that the reports addressing financial risk issues are brought to the outside auditor's attention. He was uncertain whether they had consulted with Mr. Snelding or his staff. Chairman Kern stressed that the internal audits extend beyond that of any other entity and the excellent findings would enhance any outside audit. If they are not being used, the outside auditor is making a serious mistake. With various acts being adopted, the City Auditor's office has already set the standard of excellence. Mr. Snelding concurred.

WORKMAN – Motion to accept the report and establish a follow-up – BROWN seconded the motion – UNANIMOUS with TRONCOSO excused

(10:59 – 11:21)

1-1665

9. Discussion and possible action on Public Works Contract Awards from 2002-2003 Annual Audit Recommendation Follow-up CAO 2600-0304-05

Mr. Snelding explained that this was an addition "hot button issue" identified in the 2002-2003 Annual Audit Recommendation Follow-up CAO 2600-0304-05 involving policies and procedures for professional services contracts. Councilman Brown requested annual reports for architectural contracts awards.

Deputy City Manager Houchens supplied the report requested. The report will be perpetual, with data updated in the future. Richard Goecke, Director of Public Works, offered to answer any questions. The City creates a list of qualified contractors every two years. The last process involved 40 plus applicants for building or grounds and 71 civil firms for rating in 21 categories. There is a panel consisting of internal and external members who rank the applicants. Contractors are selected from the list that is created. The process audit recommended official minutes from the panel meetings to be forwarded to the City Manager's office and/or Finance Department. This recommendation has been implemented. The feedback is that the system works well and provides contract, if not dollar, equity.

John McNellis, Deputy Director Public Works, advised that Dave Loge categorized the rankings under both buildings and parks. The other columns reflect the different contracts awarded. A firm is selected based on mating the firm to the project. A firm may be skipped if it is still working on a multi-year project. Staff uses the continuing data within this report to qualify firms for any given project. Chairman Kern noted that the data identifies contraction value and awards for five years.

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Chairman Kern discussed with Mr. Snelding that the audit conducted four years ago checked for conflicts and the importance of looking at conflicts, given the large dollar amounts involved. Mr. Snelding added that when his staff uses an outside firm, conflict is checked. Public Works most likely does the same. Mr. Goecke outlined the requirement for disclosure of principals involved in the awarding of any contract. Chairman Kern explained that conflicts need to be identified even before a contract reaches the Council. Involvement of the City Auditor's office may avoid or review any potential conflicts. Maintaining the propriety of the City is very important. Conflicts could include type of socializing between a contractor and staff.

Councilman Brown referenced the difference between the low-bid approach and the approach taken with Attachment 3 of this report. There is discretion built-in, especially when looking at performance history and specific selection. Is the City protected with this selection process and can the City defend change orders and/or cost overruns? City Attorney Jerbic responded that the criteria is legally defensible. Mr. Snelding stressed that his office had only two recommendations to improve the process. Mr. Goecke has already implemented the taking of minutes and forwarding them to the City Manager's office. The second recommendation was for an annual report on contracts awarded. Otherwise his office was happy with the process. Those steps provide additional daylight, but it was overall a good process.

Councilman Brown indicated that appropriate policies and procedures would provide the City with the necessary leverage to get the best deal with the best firms within the legal framework of the City. Mr. Vincent stated that in addition to the prequalifying process, Public Works has extended the performance evaluation to a multi-discipline review by multiple departments. That is a tremendous improvement in the process. Councilman Brown expressed his appreciation for the work done by Mr. Snelding and his staff, Mr. Vincent and his staff and everyone else.

Member Workman indicated he was impressed with the prequalification process, but asked if the City included a peer or other entity review. Mr. Goecke responded that information is shared with other entities in the Valley. Those other entities usually rate firms closely to how they are rated in the City. Those establishing the rating are very conscientious and the results are very similar. Councilman Brown confirmed with Mr. Goecke that a firm's rating may be changed within the City as a result of their performance for another entity.

Councilman Weekly asked why some contractors cannot make the prequalification list. That would raise concerns with the fairness of the process. Mr. Goecke answered that the individual being discussed met with Mr. McNellis to identify his firm's weaknesses. That firm was rated, just at a lower rank. Mr. McNellis assured Councilman Weekly that anyone who applies is put on the list. The City may not award enough contracts to reach the lower ranks. Some firms charge higher fees and the City selects another firm to reach the same services for less money. Mr. Goecke added that his staff genuinely negotiates contracts. The word gets out to the industry when the City refuses to pay more than necessary. It is an effective negotiating tool.

Deputy City Manager Houchens summarized efforts for diversity and community outreach/training. Ramon Torres is heading that office that is targeting wider diversity.

WORKMAN - Motion to accept the report – BROWN seconded the motion – UNANIMOUS with TRONCOSO excused

(11:21 – 11:44)

1-2606/2-1

10. Discussion and possible action on an Actuarial Study of one of the City's self-insurance funds from 2002-2003 Annual Audit Recommendation Follow-up CAO 2600-0304-05

Mr. Snelding advised that during the review process an issue was raised with an actuarial study of one of the City's self-insurance funds. At the end of the discussion no resolution could be reached. Therefore, the issue is on this agenda. Subsequently, Claudette Enus, Director of Human Resources, and Vicki Robinson, Manager Insurance Services, informed Mr. Snelding of recent developments.

Ms. Robinson explained that in 2004 quotes were taken from four actuarial firms and a firm selected to perform a study of the workers compensation self-insured fund. The City's Risk Management computer system developed in 1995 was not up to the task. It was not feasible to compile and provide the data manually. The in-depth search for a new cutting-edge system took over a year. The contract should be before the Council on November 17, 2004. The process had greater focus as a result of Mr. Marcella's assignment of a project manager. The new system will handle workers compensation, liability, safety and American Disabilities Act/Family Medical Leave Act applications.

When it became obvious the entire study could not be completed, staff was able to manually compile the data for the 32 permanent and 6 to 8 annual claims for just the heart/lung claimants. Although those claims represent about 1% of the gross number of claims, it represents 85% of the total City reserves. Subsequent to that, Mr. Vincent discussed the study with his colleagues in the Urban Coalition, who expressed a desire to join into the study. Although the City's data has been to Mercer since August, the other five cities, Metropolitan Police Department and the County have yet to provide all their data. Once that data is received, Mercer has committed to provide the completed study within 60 days. She expressed a hope that the study will be available by the end of the year. Once the new system is in place, staff hopes to have the balance of the information for the study by first quarter next year. Mr. Marcella advised that from purchase to implementation will take approximately 16 months. Ms. Robinson revised her estimate for a completed study in 2006.

Chairman Kern discussed with Mr. Marcella whether the software package would have to be changed given the joining of other entities. Mr. Marcella identified other applications that have had to be modified as a result of expansion. Consolidation is the City's intent whenever possible. Typically, success of an application results in other entities participating and creating a cost savings. All software purchased should have multiple customer/multiple application capability, although that was not the initial

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purpose. Ms. Robinson indicated that each self-insured entity has varying levels of risk management systems. The County's system Risk Envision was purchased three years ago. If the City's Valley Oak system is very successful, it is likely the County will look at the same service. Other entities have third-party administrators who own their own software. This is very exciting software.

BROWN – Motion to review the results of the Actuarial study at the next Audit Committee meeting – WORKMAN seconded the motion – UNANIMOUS with TRONCOSO excused

(11:44 – 11:54)

2-104

CITIZENS PARTICIPATION:

None.

(11:57)

2-494

ADJOURNMENT:

The meeting adjourned at 11:57 p.m. (2-2498)

RESPECTFULLY SUBMITTED,

Vicky Darling, Assistant Deputy City Clerk